

Message Text

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S/S-O: J.M.EALUM

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FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON IMMEDIATE

C O N F I D E N T I A L STATE 115252

EXDIS

E.O. 11652:GDS

TAGS: EFIN, EMIN

SUBJECT: BAUXITE NEGOTIATIONS

REF: KINGSTON 1876

1. CUTLER AND ROSE CALLED ON ENDERS TODAY, MAY 31, TO REPORT ON ARTHUR GOLDBERG'S DISCUSSIONS WITH PRIME MINISTER MANLEY IN KINGSTON YESTERDAY. IN PRIVATE MEETINGS WITH MANLEY AND CHIEF NEGOTIATOR MATALON, GOLDBERG ADVANCED NEW, MUCH MORE FORTHCOMING COMPANY NUMBERS ON THE REVENUE ISSUE, ACCORDING TO CUTLER. GOLDBERG MADE IT CLEAR, HOWEVER, THAT THESE PROPOSALS ARE HIS OWN AND ARE NOT BINDING ON THE COMPANIES. CUTLER SAID THAT MANLEY:

-- STATED THAT THE REVENUE ISSUE IS SETTLED, BUT HE DID NOT RULE OUT "TECHNICAL ADJUSTMENTS". HE AUTHORIZED NEGOTIATOR MATALON TO DISCUSS THE REVENUE ISSUE YESTERDAY, AND TO COME TO WASHINGTON ON MONDAY, 3 JUNE, TO CONTINUE THE DISCUSSIONS.

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-- REACTED SENSITIVELY TO WHAT HE TERMED "PRESSURE"

INCLUDING A RECENT NEW YORK TIMES EDITORIAL AND THE SECRETARY'S LETTER ON THE GOLDBERG MISSION. NEVERTHELESS, SUCH "PRESSURE", IN CUTLER'S VIEW, MIGHT HAVE BEEN HELPFUL. MANLEY SUGGESTED THE STATE DEPARTMENT MIGHT "BE PRESENT" AT THE TALKS MONDAY. WE EXPECT NEGOTIATOR

MATALON TO CONTACT EAGLEBURGER.

. CUTLER SAID THAT THE COMPANIES WOULD SEE KENNETH RUSH EARLY NEXT WEEK TO PROPOSE A JOINT GOVERNMENT-INDUSTRY TASK FORCE TO EXPLORE THE IDEA OF BUILDING A PLANT IN THE U.S. TO PROCESS ALUMINA BEARING CLAYS, WHICH ARE ABUNDANT IN THE U.S. (CLAYS ARE NOT COMPETITIVE WITH BAUXITE AT CURRENT PRICES.) THE PLANT WOULD INVOLVE GOVERNMENT FINANCING. THE COMPANIES' IDEA IS TO GET READY TO GIVE THE JAMAICANS A BIG SIGNAL.

3. CUTLER NOTED THAT THE COMPANIES WOULD GO TO ICSID BEFORE MAKING THE FIRST TAX PAYMENT, EXPECTED IN JUNE.

4. COMMENT: WHILE OUR INSTINCT AND PRACTICE SO FAR HAS BEEN NOT TO GET DIRECTLY INVOLVED IN NEGOTIATIONS, WE WILL KEEP AN OPEN MIND ON "BEING PRESENT" UNTIL AFTER WE HAVE TALKED TO GOLDBERG AND MATALON. KISSINGER

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